

Message Text

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ACTION IO-10

INFO OCT-01 ISO-00 IOE-00 L-02 ABF-01 OMB-01 TRSE-00 AF-10

ARA-10 EA-10 EUR-12 NEA-10 RSC-01 SS-15 NSC-05

CIAE-00 COME-00 EB-06 INR-07 LAB-03 NSAE-00 SIL-01

/105 W

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P 051558Z NOV 74

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 9031

UNCLAS GENEVA 6731

PASS IO/UNBAPS

E.O. 11652: N/A

TAGS: ILO AORG

SUBJECT: ILO: 194TH GOVERNING BODY: REQUEST FOR INSTRUCTIONS ON
FINANCIAL QUESTIONS

1. TWO PAPERS FOR BUILDING SUBCOMMITTEE HAVING FINANCIAL IMPLICATIONS
WERE SPRUNG ON DELEGATES ON ARRIVAL IN GENEVA. PAPERS ARE NUMBERED
GB.194/PFA/BS/1/1: NEW HEADQUARTERS BUILDING; PROGRESS REPORT AND
FINANCIAL STATUS OF THE PROJECT--PROGRESS REPORT, AND GB.194/PFA/
BS/1/2: NEW HEADQUARTERS,ETC.--LOAN ANNUITY AND ARRANGEMENTS FOR
FINANCING THE EXPECTED COST OVERRUN ON THE BUILDING. BOTH DATED
OCTOBER 25 AND MAY HAVE BEEN RECEIVED IN IO/LABW BY THIS TIME.

2. BS/1/1 STATES THAT TOTAL COST OF NEW BUILDING HAS RISEN FROM
APRIL 30, 1974, ESTIMATE OF SWISS FRANCS 137,751,290 TO SEPTEMBER 30,
1974, ESTIMATE OF 143,520,000 FRANCS. TOTAL AVAILABLE RESOURCES,
INCLUDING PROCEEDS FROM SALE OF PETIT SACONNEX ANNEX, AMOUNT TO
140,600,000 FRANCS.

3. PAPER BS/1/2 STATES THAT FUNDS PRESENTLY ALLOCATED IN 1974-75
BUDGET FOR BUILDING WILL NOT RPT NOT BE SUFFICIENT FOR PAYING
CONTRACTORS BILLS FALLING DUE IN 1975. SOME OF THESE BILLS
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WILL BE FOR EXTRA WORK CONTRACTED FOR SO THAT MOVE INTO NEW

BUILDING CAN BE SUFFICIENTLY ACCOMPLISHED TO ENABLE GOVERNING BODY TO MEET THERE IN FEBRUARY 1975. THERE ARE ALSO SOME THREE MILLION FRANCS IN BILLS THAT OFFICE IS PROTESTING AND THAT POSSIBLY WILL GO TO ARBITRATION. OFFICE MUST BE PREPARED FOR DECISION AWARDED PART OR ALL OF CONTESTED OVERRUNS TO CONTRACTORS.

4. TO PROVIDE CASH NEEDED FOR PAYMENT OF 1975 BILLS, AND TO PROVIDE READILY ACCESSIBLE FUNDS FOR FUTURE ALTERATIONS, REPAIRS, AND MAINTENANCE, DIRECTOR GENERAL PROPOSES FOLLOWING MEASURES;

A. ANNUAL PAYMENTS OF THE 40 YEAR FIPOI MORTGAGE ARE SET AT 5,652,400 FRANCS. FIPOI INFORMALLY AGREES TO ACCEPT THE FIRST PAYMENT (1975) AN AMOUNT OF THREE MILLION FRANCS, WITH REMAINING 2,652,400 BEING SPREAD EQUALLY OVER REMAINING THIRTY-NINE PAYMENTS. DIRECTOR GENERAL PROPOSES TO TRANSFER THE 2,652,400 FRANCS, ALREADY PROVIDED IN 1975-75 BUDGET, TO BUILDING AND ACCOMMODATION FUND.

B. NET RECEIPTS FROM RENTALS IN FUTURE WILL BE PAID TO BUILDING AND ACCOMMODATION FUND. SOURCES WILL BE RENT FROM CONCESSIONAIRS (BANK, BOOK, STALL, TRAVEL AGENCY, FOOD SERVICES) AND OTHER AGENCIES RENTING OFFICE SPACE IN NEW BUILDING. (THERE IS NO RPT NO DECISION YET ON PRINCIPLE OF PARKING FEE, OR WHERE MONEY WOULD GO IF FEE CHARGED.)

C. PROGRAM, FINANCIAL AND ADMINISTRATIVE COMMITTEE (PFA) WILL BE ASKED (SEE DOCUMENT GB. 194/PFA/13/19, PARAS 7 AND 12) TO AUTHORIZE DIRECTOR GENERAL TO DRAW ON BUILDING AND ACCOMMODATION FUND TO MEET SUCH EXPENDITURES AS MAY BE NECESSARY ABOVE THE 140,600,000 FRANCS CURRENTLY AVAILABLE. ACCORDING TO JOHN RICHES, ILO BUILDING COORDINATOR, THESE ARRANGEMENTS WOULD BE USED TO MAKE PAYMENTS TO CONTRACTORS IN 1975, AND TO ENABLE DIRECTOR GENERAL TO CARRY OUT FUTURE ALTERATIONS, REPAIRS AND MAINTENANCE.

5. USDEL AND SOVDEL PROTESTED LATE PRESENTATION OF DOCUMENTS, AND STATED THEY WERE UNABLE TO TAKE ANY POSITION ON DIRECTOR GENERAL'S REQUESTS UNTIL THEY HAD INSTRUCTIONS, WHICH THEY WOULD SEEK ASAP. CHAIRMAN (MORGAN, UK) AGREED THAT SUBCOMMITTEE COULD BE RECONVENED WHEN USDEL AND SOVDEL HAVE INSTRUCTIONS. PRESUME THIS WILL HAVE TO BE BY MONDAY, NOV 11 AT LATES, SINCE PLENARY SESSIONS START NOV 12.

6. USDEL SEES SOME MERIT IN SUPPORTING ALL PROPOSALS, SINCE
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THEY WOULD HAVE EFFECT OF REDUCING CLAIMS OF NEW BUILDING AGAINST ASSESSMENT BUDGET, WHICH ARE GOING TO BE EMBARRASSINGLY LARGE AT BEST. ALSO, IN CASE OF GENUINE EMERGENCY, PROPOSED ARRANGEMENTS WOULD GIVE DIRECTOR GENERAL MAXIMUM FLEXIBILITY IN ACTING EXPEDITIOUSLY TO CONTRACT FOR REPAIRS. USDEL NOT INCLINED RECOMMEND SUPPORT, HOWEVER FOR FOLLOWING REASONS:

A. WITH PROPOSAL TO DIVERT ONE-HALF OF NET RECEIPTS FROM PUBLICATION SALES AWAY FROM WORKING CAPITAL FUND (WCF), WHICH

PROBABLY WILL BE APPROVED, PROPOSED DIVERSION OF RENTALS THAT WOULD OTHERWISE GO TO WCF, COULD RESULT IN LOWING OF WCF TO POINT OF REQUIRING A REPLENISHMENT ASSESSMENT ON ILO MEMBERS.

B. DIRECTOR GENERAL WILL ACQUIRE SUBSTANTIAL SUMS (RENTAL RECEIPTS ESTIMATED AT 490,000 FRANCS A YEAR) WHICH HE CAN USE WITHOUT GOVERNING BODY APPROVAL.

7. USDEL REQUESTS INSTRUCTIONS ON FOLLOWING POINTS:

A. PROPOSAL TO DIVERT 2,652,400 FRANCS FROM FIRST (1975) MORTGAGE PAYMENT INTO BUILDING AND ACCOMMODATION FUND, FOR PURPOSE OF PAYING 1975 BUILDING BILLS.

B. PROPOSAL TO ADD 2,652,400 FRANCS TO THE 39 MORTGAGE PAYMENTS STARTING 1976 (WITH CONSEQUENT INCREASE IN TOTAL INTEREST PAYMENTS OVER LIFE OF LOAN AT 3 1/2 PERCENT).

C. PROPOSAL THAT FUTURE RENTALS BE PAID INTO BUILDING AND ACCOMMODATION FUND, INSTEAD OF INTO WCF.

D. PROPOSAL TO GIVE DIRECTOR GENERAL AUTHORITY TO USE BUILDING AND ACCOMMODATION FUND FOR PAYMENT OF COSTS OF INITIAL CONSTRUCTION AND FOR FUTURE ALTERATIONS, REPAIRS, AND MAINTENANCE, ON BASIS OF REPORTING TO GOVERNING BODY AFTER THE FACT, RATHER THAN SEEKING PERMISSION FROM GOVERNING BODY IN ADVANCE. DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GENEVA06731
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740317-0367
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741171/aaaaciff.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 25 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 SEP 2002 by chicheje>; APPROVED <11 DEC 2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ILO: 194TH GOVERNING BODY: REQUEST FOR INSTRUCTIONS ON FINANCIAL QUESTIONS
TAGS: AORG, ILO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005